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ABSTRACT

This paper examines the emergence of privatization in Israel's educational system. The first part provides an overview of the provision of educational services in a welfare state. The second part describes educational privatization in a welfare state, and the third part presents examples of two forms of privatization that have emerged in the Israeli educational system--the Culture, Youth, and Sports Community Centers and the "Grey Education" movement. The final part argues that privatization may disguise the central government's increased involvement in the management of some educational services that are demanded by powerful pressure groups. Privatization of educational services in a welfare state such as Israel expands the role of central government in educational affairs. The growing use of privatized educational services by affluent parents now provides the central government with an excuse to generate additional taxation and increase its intervention in educational management.
Quasi-privatization, which does not replace the public sector with the private sector, leads to creation of a new sector--the mixed-economy sector in which private and public agencies collaborate and compete. Israel is currently experiencing the emergence of this third sector. Two tables are included. (LMI)

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SPONSORED PRIVATIZATION OF SCHOOLING IN A WELFARE STATE

Paper presented at the Symposium:

"Private Services in Public Schools: Enhancing Opportunities or Serving Self-Interests?"

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A. PROVISIONS OF EDUCATIONAL SERVICES IN A WELFARE STATE

A "welfare state" is a political system oriented towards the maximalization of equality of opportunity.

Welfare states are usually ruled by a centralized government, which redistributes much of the nation's wealth, as equally as possible, to all members of the society. The services are financed through heavy taxation and inflationary processes. One of the principles which guide social policy in a welfare state is that similar services are distributed to all the citizens, regardless of their investments, involvement or interests in its administration or outcomes.

One of the main channels of the distribution of the nation's wealth among its citizens, is through universal high quality education. As it is well known, there is a strong correlation between education and social status. Better educated people get better salaries and enjoy more authority and prestige than less educated people. Extended and efficient education can encourage social mobility and provide better opportunities to children of low income families and to social minorities. In a welfare state, schools are considered as the main cure for many social problems. Thus, the latent function of schooling in a welfare state is to demonstrate that the government is doing its best to combat the ills of inequality and to provide "industrial peace".

The State of Israel can be defined as a welfare state as it lavishes heavy taxes on its citizens and redistributes through generous social services to all. Such a welfare policy is usually associated with a great number of rules and regulations which restrict individual choice. The traditional goals of the Israeli government were directed towards reducing social and economic gaps. Subsequently, governmental efforts to reduce societal inequalities is associated with a massive intervention in the lives of the Israeli citizens (Goldstein, 1980).

One of the regulations which restrict the parents' right to choose a school for their children is the zoning of school attendance. Parents are obliged to register their children only within the official geographic area of their place of abode.

The Ministry of Education tends to follow carefully the execution of school zoning regulations. During the last twenty years, the Israeli High Court of Justice, with thirteen violations of the regulations of zoning made by parents attempting to escape school integration programs.

A clear definition by the Ministry of Education regarding the enforcement of zoning appears in the letter of appointment by the Minister of Education to Prof. Y. Kashti, Head of the Special Committee for the Study of the Position of Cross Regional Education Institutions: "According to the social and educational policy, which had been determined by the Knesset (House of Representatives), the government and the Ministry of Education, elementary and junior high schools must include all the students who live in the appropriate geographical area... No individual students or groups of students are allowed to study outside of their official area... On the other hand, no school is entitled to reject individual students, or groups of students. Recently the social and educational systems were confronted with specialized magnet schools which do not follow the official regulations. Extra regional schools are common among fundamental and orthodox parochial schools. Recently, about 35 such schools were operating within the common system of public education" (Kashti, 1991, p.1). Parents are required to pay substantial sums of money to place their children in those specialized elementary schools.

The committee recommended to approve the existing extra-regional (magnet) schools as long as they follow the requirements of school integration according to the ethnic composition of the community they serve. It also recommended to restrict the opening of new extra regional schools (Kashti, 1991, p.28).

The recommendations of the Kashti Committee are probably a compromise between the growing public demand for more power and the traditional official policy of educational placement.

As Goldring and Shapira (1991) report, "Public officials are beginning to acknowledge that Israelis are capable of mature consumer behavior, as indicated by their exit, voice and participation.... This change in viewpoint is manifested in a change in emphasis from unity to

diversity and from equality to quality"... "Schools of Choice, community schools (and privatized educational programs) are on the uprise" (Shapira, 1988).

B. EDUCATIONAL PRIVATIZATION IN A WELFARE STATE

Very frequently privatization of social services, and of educational services in particular, is viewed as a replacement of the governmental administration of such services. However, privatization may serve to overlay delivery of services through private means onto the existing public system (Goldring & Shaw Sullivan, in press).

Privatization, as a transfer of some activities from the public to the private sector is familiar to the Israeli public. The service is funded by public means but performed by private operators (e.g., administration of achievement and ability tests), or funded by parents and performed by the faculty and administration of the schools (e.g., introduction of a computer laboratory or addition of programs of study and extra-curricular activities).

Table 1 indicates the estimated total, public and private expenditure per student in different levels of education in 1986 in American dollars. Private resources are obtained from parents and foundations. (These estimates are based on data provided by Klinov, 1991).

Insert Table 1 about here

The estimates in Table 1 indicate that the total expenditure per student is much greater in higher levels of education compared with elementary education. Secondary education is 2.7 times, and higher education is 7 times more expensive than elementary education.

The findings also show that while only 5.6% of elementary education is financed by private funds, about 74.1% of secondary education and and 63.0% of higher are privately financed, mostly by parents. Kop and Sharon (1991) report that the percentages of private financing of welfare services grew from 7.8% in 1980 to 25% in 1990 (p. 127).

The findings suggest that the Israeli parents become more and more used to subsidizing their childrens' studies by private means. What is unique about Israel, is that quite frequently the introduction of new exchanges of educational services with private resources is initiated, maintained, and supported by both the centralized governmental agencies, and the local educational authorities. Moreover, it is done now more and more at the school site level and not at the central offices of education.

A most important quality of these traditional transactions is the absence of direct use of money by the actual participants, namely, the providers and the recipients of educational services. So far, most of the payments to those who carry out the service, or those who receive it are indirect. The costs, prices and payments are determined and delivered by centralized agencies and not by the field workers that meet the clients.

For example, most of the immediate financial resources which are in the hands of the school principal come from voluntary contributions of parents and from other clients of schools (e.g., payments received for the use of buildings or the equipment after school hours), and from some limited allocations of centralized educational authorities.

The annual budget of an average comprehensive secondary school of 1200 students, 100 teachers and 25 administrative staff in Israel is $2,500,000. About 75% of it is financed by the Ministry of Education and 25% by local authorities, parents and supporting agencies. Less than 1% of the total annual budget is handled by the school principal him/herself, as cash money. An additional 10% is used according to his/her decisions, but executed by officials of the central governing bodies.

The costs of teachers and staff salaries, maintenance of buildings and equipment, purchasing of learning material and other expenses are paid directly by the Ministry of Education or the respective departments of the local authority.

In many cases, the contributions of parents or other sources are transferred to the central headquarters. Advance payments from parents for specific services later in the year are collected by the headquarters only.

The absence of direct interaction between the providers and the recipients of the social and the educational services exempts the providers from the full responsibility for the delivery of the services and diminishes the clients' power to demand services they need and want. In such a state of mutual alienation it is practically impossible to challenge the providers. Nevertheless, since the political shift of power in 1977, the full dependency of parents on the providers of the compulsory and free education, has been frequently challenged. Parents, as individuals or as organized groups, started to exercise their resources, rights and power, in order to give their children a better education in two ways: (1) by purchasing of educational services from alternative educational organizations like community centers, and (2) by private and direct purchasing of educational services from the school itself (The "Grey Educational System"). They are discussed in the following chapter.

C. GROWING PRIVATIZATION AS A CHALLENGE TO A CENTRALIZED EDUCATION SYSTEM: SOME EXAMPLES

Interestingly enough, many efforts to establish privatized services into the Israeli local community or school system were initiated and implemented by the central authorities in response to growing community pressures.

The educational authorities' response to privatized education underwent two stages. The authorities proposed and established a highly supported organization of community centers which sold educational services. One of its purposes was to protect the official public school system from external pressures to accommodate individual needs. Ten years later, the regular public schools themselves responded to parental demands by privatization of some services of the school itself.

The following section deals with the gradual emergence of various forms of privatization in the Israeli educational system.

1. *The Community Centers:* The "MATNASIM" (Culture, Youth and Sports Community Centers) were established as semi private education services, sponsored by the government, parallel to the schools. In the early seventies the Minister of Education and the director-general of the ministry, thought up a new idea to build community centers. The MATNAS advertised many programs of study from flower arranging and crafts to Bible study, sports, music and English lessons - all under one roof and available by choice for a small fee. In terms of organizational structure, the MATNAS centers represented a breakthrough beyond the centralized notions of government offices. Their financing, operation, and supervision were under the joint jurisdiction of the local government, *direct* representatives of the community, professional directors, and an umbrella non-profit organization in the capital city of Jerusalem.

About 160 community centers are now operating in most Israeli communities. The common community center employs about 30 professional and administrative workers and serves about 2000 customers per year. It operates on a budget of about $500.000 a year. About 25% of the budget is granted for unspecified purposes by the local community, mainly for maintenance. About 35% of the budget is covered by the Ministry of Education for the delivery of special projects (e.g., courses in Hebrew or English for new immigrants). About 40% of the budget is covered by the customers' payments. (Personal communication by G. Reshef - Director of a community center in Kiriyat Eckron.)

The community center is formally a non-profit organization. The head of the center is appointed by public tender. He/she is legally responsible for the educational and financial administration to the eleven persons on the Board of Governors - who are community leaders.

The assumptions that guided the establishment of the community center had been that, while the state educational system is centralized, publicly funded, maintains equality through standardized curricula and compensatory education and failed to satisfy many parents. The partially private community center is responsive to the public needs. Its voluntary nature might succeed where the educational bureaucracy failed.

2. *The "Grey Education" Movement:* Many parents were not satisfied with the services of the community centers. In most cases they offered marginal enrichment and extra-curricular activities which did not advance the academic achievements of the pupils in the demanding subjects of study. Many parents continued to search for schools which best suited the specific needs of their children. Several new forms of parental involvement in the management of schools took place recently. In some cases it led to the opening of new programs of studies in regular schools or the introduction of new kinds of schools. Most of them were initiated and supported by the educational authorities together with the parents. Parents acted in these cases of school restructuring as individuals or as organized groups. In most cases the parents had to pay significant additional sums of money for their childrens' participation in the special programs. Some examples of the new kinds of schools which require additional payments are programs for gifted students (Goldring, Milgram & Chen, 1989) community schools (Goldberger, 1991), schools of choice (Goldring, 1991) or schools with an additional program of study financed by parents' organizations.

In spite of the growing costs of schools of choice for interested parents, the central and local authorities invest in schools of choice almost twice as much per student, compared to regular schools of public education (Kashti, 1991).

All of the schools of choice are responsible to the Director General of the Ministry of Education as part of the state school system and are publicly supervised as are all other schools in Israel. Their attendance zones extend well beyond the notion of neighborhood schools, and often encompass more than one municipality; some students travel up to an hour each way. Parents pay a monthly fee to cover transportation and enrichment activities. This fee is substantial, but is considered to be a minor factor considering total costs and school alternatives (Shapira & Goldring, 1990). Furthermore, these fees are waived for students indicating financial need. Thus, schools of choice in Israel are not considered private schools in terms of financing, but in terms of their self-sustaining ethos and because they are alternatives to the regular school system (Goldring, 1991). Their mode of operation may be defined as partial and sponsored

privatized educational services, which thrust back parents demands for improved schooling by co-opting of clientele.

There is now a significant number of schools with an additional program of study which is financed by parents. According to the regulations of the Ministry of Education, parents can fiance an additional program of study up to 20% of the total number of hours of study. The introduction of such a program to an elementary school requires that a group of parents, officially organized as a non-profit organization, collects money from all the parents of the school, hires teachers, determines a curricula and operates a private school within a public school. The execution of such a complex operation requires the full participation of the school principal and teachers. The parents are expected to pay them generously for the extra work. This new movement of partial and private schooling is nicknamed 'Grey Education'. The movement reached its highest popularity in the late eighties. In 1988 private programs of study, sponsored by parents, existed in 38% of all elementary schools. The average cost per student was $100.00 (Bar Siman-Tov & Langerman, 1988).

The Grey Education movement is losing momentum at present for mainly two reasons. One reason is that the establishment and maintenance of such a complicated structure requires so much money, goodwill, time, and energy that only a few parents can afford it. The second reason is that most of the parents are not ready to pay great sums of money for enrichment programs of study, as dictated by the regulations of the Ministry of Education. They are interested in additional hours of study in the important subjects of study: math, languages, geography, etc., and not in arts, music or physical education. It seems that the pupils themselves are not so happy with such a curriculum. It requires a very long stay in school without any distinguished program of study according to their point of view.

Once again, it should be noted that the grey education movement is warmly supported and generously financed by the local educational authorities in addition to the payments received from the parents. The authorities support, partial as it is, is indispensable for the maintenance of the new and relatively expensive program. However, because of it, it is forbidden to include in

it, important subjects of study (e.g., mathematics, languages, etc.). The publicly justified reason for that regulation is that governmental support of affluent parents to advance their children in subjects of study which are part of the demanding matriculation examination, is a severe violation of the rules of equity.

As the Grey Education movement is slowing down, new forms of privatization appear in the school system. School principals report that the new most common form of it is individual or organized purchase of specific services by interested parents. Some of them estimate that they collect from parents between $150 - $350 per student per year.

The money is used for a very diversified list of activities: visits to museums and cultural events, long hikes, establishment of computer labs, purchasing of musical equipment, athletic training and competitions, preparation of psychometric examinations, psychological counseling, special textbooks, additional furniture, air conditioners, etc., etc.

So far, the purchase of the private services are performed by the school's administration. The school principal is personally responsible for the determination of the budget and its execution. S/he has to report on it to the representatives of the parents and to get the approval of the supervisors of the school and the local department of education.

It seems that the growing privatization of the school services impose a very heavy load on the schools' principals. It requires many hours of unrewarded additional work and legal responsibility for the direct management of the funds of the school budget. In a survey of school principals regarding the difficulties they encounter in their work, about 108 respondents evaluated the difficulty according to a long list of issues. They ranked the items according to their perceived difficulty on a scale of 1 - 7. Several scales were constructed from the list of items following the factor analysis. The findings are presented in Table 2.

Insert Table 2 about here

The findings indicate that the financial management of the school is perceived as the most difficult task of the principal. Next are activities associated with parental involvement.

Financial difficulties and negotiations with parents are ranked as significantly more demanding than traditional tasks of principalship like maintenance, faculty management and disciplinary problems of students. A dramatized description of the financial difficulties of the present school principals reached recently the newspapers. Some school principals declared a partial strike in performing their roles. It was followed by a legal charge made by parents against an elementary school principal. The principal was charged with using parents' money for buying very expensive office furniture and musical instruments without the approval of parents' representatives.

In response to the principals' complaints, the Ministry of Education is planning a far-reaching administrative school reform. A new part-time position is to be installed in each school for a vice-principal in charge of financial affairs. The new arrangement requires strict bookkeeping, but it enables the school to operate as an independent financial unit and to do business with parents and other customers to a larger extent than now. As expected, this new position is going to be fully financed by the treasury by additional taxation.

D. DISCUSSION: PRESERVING THE CENTRALIZED EDUCATIONAL SYSTEM IN A WELFARE STATE BY SPONSORED PRIVATIZATION

Advocates of privatization claim that by transfer of activities from the public sector to the private sector, the functioning of the large and impersonal educational bureaucracies will be greatly improved. The buying power of parents and other customers of educational services will force the centralized system to be more responsive to their needs, more effective in its operations and much less expensive.

The analysis and findings presented above indicate that these generalizations do not apply to the recent efforts of privatization in the field of education. It seems, at a first glance, that more and more educational services are offered for sale to interested parents who can afford them. Extra regional magnet schools, schools of choice, community centers, additional programs of study financed by parents (Grey Education), etc. are all offered to the public in

exchange for additional payment. Parents demands of them are much greater than the available supplies of semi-private educational services. In almost all of these cases, the private educational services are initiated, sponsored, supported and maintained by central or local educational authorities. Yet, these processes of privatization do not comply with the definition of privatization. The new private educational services do not replace publicly funded services. They just add new educational services for different segments of the population. In most cases, the costs of the private educational services per student to the public fund are much greater than the cost of traditional compulsory and free public education. Parents' payments as large as they are, cover only a small proportion of the large additional costs of the new quasi-private educational services, which are offered for sale to the public at large.

An average student in a magnet school, a school of choice, a community school or a community center is much more costly to the state's treasury than a regular school student, after accounting for the parents' payments.

It is quite conceivable that the privatization serves as a disguise for a greater involvement of the central government in the management of some educational services which are constantly demanded by some powerful sectors or pressure groups.

In concluding his recent study of the making of educational policy in Israel in the last decade, Gaziel (1993) observes that educational policy in Israel in the last decade could be characterized by a large number of conflicting goals. In order to answer to the expectations and the needs of the Israeli pressure group, the leaders of educational systems adopted a 'two-faces' policy. It was partially directive and partially reactive. According to his definitions, the directive policy has been indicated by preserving past achievements and by the continuous support of the disadvantaged sectors of society. The reactive educational policy had been indicated by the constant decrease of educational expenditure per student, by the silent acceptance of magnet and specialized schools for a few affluent parents and by the tacit acceptance of parental involvement in the pedagogical and financial management of the schools (p. 65).

It seems that Gaziel ignores a basic factor in the implementation of the Israeli education policy. The Ministry of Education and many local authorities invested in reactive policies of education much more imagination energy, time, money and other resources than in the active preservation of past achievements.

The central government increased and diversified its involvement in the small segment of the quasi-privatized sector of the educational system. It has been achieved by generous financial support, appointments of the directors of the services, goal-oriented regulations and remote supervision of the operation of the quasi-private service.

Strangely enough, by establishing direct financial exchanges between the clients of quasi-private educational services (the parents), and the educational field workers (principals, administrators, counselors, teachers, etc.) the central educational agencies exempt themselves from the direct responsibility of quality of the service. The educational field workers, and not the political parties which constitute the central governmental bodies, have now to account to the parents for the effectiveness and purposefulness of their educational performance. They are dependent on the parents' payments, and the government, which continues to impose heavy taxation.

Surprisingly enough, if our analysis is correct, privatization of educational services in a welfare state, like the state of Israel, expands the role of the central government in educational affairs. It enables the government to initiate, maintain and generously finance new kinds of educational services and to enlarge the scope of education, as a sponsored action.

Not only is the government strongly involved in the foundation and maintenance of a great number of innovative and effective educational services, it can also claim to be considerate, flexible and responsive to the special needs and expectations of parents and their children.

In light of the growing use of private educational services by affluent sectors of society, the government must assume the role of keeper of equity and equality. The growing use of private educational services by affluent parents provides now a good excuse to the central

government to expand its traditional roles as provider of free and compulsory education. It is the responsibility of the government in a welfare state to provide freely to the disadvantaged population, the same services which affluent parents acquire by such means. Thus, privatization may be a good excuse in a welfare state for additional taxation and for greater intervention of the authorities in the management of the educational system.

Quasi-privatization of educational services is now on the agenda in many market economy as well as welfare states. In most cases, quasi-privatization does not lead to a simple replacement of the public sector by the private and business sectors. It leads to the establishment of a new sector: the mixed economy sector in which public and private agencies collaborate and compete with each other.

What we see in Israel at present is the emergence of the third sector. Its proper understanding requires detailed inquiry and systematic conceptualization. We are now at the very beginning of this task (Stiglitz, 1986; Kop, 1991).

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Table 1: Public and Private Expenditure per Student (US $ of 1986) by Education Level

Educational	Public	Private	Total	% Private
Elementary Education	678	40	$ 718	5.6%
Secondary Education	1421	459	$ 1,920	25.9%
Higher Education	3147	1849	$ 4,996	37.0%

Table 2: Means and SD of Difficulties Perceived Scales (N = 108 Principals)

Types of Difficulties	No. of Items	Cronbach's α	Mean	SD
Financial management	4	.57	4.82	1.26
Parental involvement	4	.61	4.68	1.23
Supplies and maintenance	6	.74	4.10	1.65
Faculty and staff management	6	.72	3.53	1.88
Social and disciplinary problems	4	.88	3.02	1.92